

## **INITIAL STATEMENT OF REASONS**

### **ARTICLE 3., TITLE 13, SECTION 159.00**

#### **VEHICLE CLASSIFICATION**

Revenue and Taxation Code section 10752 requires the department to collect a vehicle license fee based on market value. This regulation will provide the department with a standardized method for depreciating market value in order to assess vehicle license fees. The California Supreme Court has rendered Revenue and Taxation Code section 10753.2 inoperative. The department has determined that the Director has the authority under Vehicle Code section 1651 and Revenue and Taxation Code section 10752 to establish by regulation a depreciation schedule to be used for assessing the market value of a vehicle.

Since there is no valid statute that provides the guidelines for assessing vehicle market values, the department has determined that this regulation is necessary to provide the department with a consistent depreciation schedule so that all vehicles are assessed vehicle license fees equitably. This regulation will maintain the current depreciation vehicle under Revenue and Taxation Code section 10753.2.

#### **Section 159.00. Vehicle Classification.**

This section defines the basis for the vehicle license fee pursuant to sections 10752 and 10753 of the Revenue and Taxation Code. This section specifies the classification of vehicles and the depreciation schedule that is used to determine vehicle license fees due the department.

**Subdivision (a)** specifies that the department shall classify or reclassify every vehicle according to the classification plan in subdivision (b). This is necessary in order to establish the vehicle license fee schedule for each vehicle purchased new, used or an assembled vehicle being registered as new.

**Subdivision (b)** specifies the classification plan for vehicles being registered as new, used or an assembled vehicle being registered as new. The classification is necessary in order to establish the basis for the vehicle license fee depreciation schedule.

**Subdivision (c)** specifies the percentage of the market value that is used to calculate vehicle license fees due the department when a vehicle is purchased new, used or an assembled vehicle being registered as new. Revenue & Taxation Code sections 10751 through 10754 establish the vehicle license fee and require the department to determine the market value and to collect a vehicle license fee equal to two percent of the vehicle's market value, less an offset of 67.5. Because vehicles decrease in value, this subdivision will decrease the vehicle license fees due the department each year until the 11<sup>th</sup> year is reached.